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# WAUKESHA COUNTY BOARD

## EXECUTIVE, FINANCE, PERSONNEL

### COMMITTEES

NOVEMBER 20, 2012

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#### **Executive Committee Members Present:**

Paul Decker (Chair)	Dave Falstad	Patricia Haukohl	James Heinrich
Dave Swan	Gilbert Yerke	Duane Paulson	

#### **Finance Committee Members Present:**

Patricia Haukohl (Chair)	Daniel Draeger	Pamela Meyer	Richard Morris
Larry Nelson	Cathleen Slattery		

#### **Personnel Committee Members Present:**

Duane Paulson (Chair)	Michael Crowley	Kathleen Cummings	Daniel Draeger
Jennifer Grant	Pauline Jaske		

#### **Finance Committee Member Absent:**

William Zaborowski

#### **Personnel Committee Member Absent:**

Jim Jeskewitz

#### **Others Present:**

County Board Chief of Staff Mark Mader  
Legislative Policy Advisor Sarah Spaeth  
Human Resources Manager Jim Richter  
Social Worker Carla Rodriquez  
Darryl Enriquez of the Waukesha Freeman  
Register of Deeds Jim Behrend  
Director of Parks and Land Use Dale Shaver

Internal Audit Manager Lori Schubert  
Director of Administration Norm Cummings  
Senior Human Resources Analyst Renee Gage  
Budget Manager Keith Swartz  
Director of Public Works Allison Bussler  
Segal Vice President Heather Kazemi

Decker, Haukohl and Paulson called their corresponding committee meetings to order at 1 p.m. Decker led the group in the Pledge of Allegiance.

#### **Public Comment**

Rodriguez, a social worker in the department of health and human services attending the meeting during off time, said since Act 10 went into affect and the local AFSCME Local 902 decertified, former members have been waiting to receive the same benefits as other Waukesha County nonrepresented employees such as deferred vacation and life insurance. She does not understand why these employees are treated differently.

#### **Presentation and Overview of the 2012 Compensation Study Results**

In response to Nelson's question, Richter explained the step and open pay systems. Richter explained that the recommended new system would be cost neutral in the short term and save the county money long term. K. Cummings asked how can a system that provides more pay increases save money? Richter said in the proposed plan it would take employees eight years to reach the top pay ranges in the step system versus the 2.5 years it took under the former system.

Slattery said it would be beneficial to know what benefits are provided to staff. Richter agreed to provide supervisors with a list of staff benefits.

Jaske asked did any county board supervisors participate in the compensation study process? Richter said County Board Chief of Staff Mark Mader participated because the process straddled two board years. Decker said Segal, the company that did the study, has done extensive work for profit and nonprofit organizations and is known to be very thorough. K. Cummings asked how much did the study cost? Richter replied \$55K.

Kazemi reviewed the handout titled Total Compensation Study Market Results including county compensation policy and history, compensation study goals and methodology.

Paulson asked why the names of peer employers used for comparison purposes are not listed in the report. Kazemi said private companies would be unwilling to complete compensation surveys if the responses were publicized due to competitive reasons and possible collusion. Decker said companies do not want salary information released in competitive markets. Haukohl asked are organizations given any incentives to participate in the study? Kazemi said companies want to complete the surveys because they are interested in seeing the collective data and using it to pay appropriate salaries. Decker said private employers are taxpayers and interested in seeing tax levy used appropriately.

Kazemi reviewed the overall results of the study.

- Waukesha County's health care costs are consistent with the public sector average but somewhat higher than the private sector average.
- The current retirement plan contribution rates are somewhat lower than the public sector average but somewhat higher than the private sector average.
- The county has no costs associated with other post-employment benefits.
- The county's pay ranges are generally close to the public sector average but below the private sector average.
- Current maximum pay rates are below the public and private sectors due to narrow pay ranges.

Swan asked how reliable is the data from the private sector? Kazemi said the private and public sector is equally reliable. The amount of private sector data is considerably higher. Slattery asked were public sector surveys completed 100%? Kazemi said all public sector surveys were completed 100%. In response to Heinrich's question, Kazemi said the private and public sector results were geographically adjusted.

Nelson asked what is the history behind the county's narrow pay ranges? Richter said the system was developed at 50% pay ranges. The top 17% of the ranges were eliminated to save money and keep costs down. Swan asked did the elimination of the top ranges affect the county's ability to fill jobs? Richter said there was no initial affect but as time goes by more and more employees hit the top of the range and there is no way to reward good performance. N. Cummings said the reduction of the top ranges saved the county a lot of money but angered staff. He is concerned what will happen when the job market becomes more favorable. The number of employees at the top of the ranges continues to increase. Haukohl asked do employees leave when they get to the top of their ranges? Richter said with the current economic environment, employees are staying but that could change when the market changes. The brightest and best will leave.

Grant said the pay ranges are narrow but the county does not want employees to stay in one place forever. They should find promotional opportunities. N. Cummings said employees do very well when they are initially hired compared to the mid and upper range employees. The county does not want people to get to the top of the pay ranges. Some employees seek advancement but do not want to become supervisors or department heads.

Jaske said there seems to be an assumption that the top ranked people are not replaceable and there is no assurance there are people available who would fill the job equally well or better with newer foresight and attitudes. N. Cummings said the study recommended ranges will attract good people.

In response to Swan's question, Kazemi said Waukesha County's pay for performance salary system is a rarity in the public sector. Most public sector employers offer fewer rewards and do not have the ability to reward stellar employees.

Swan asked what happens during years when no money is available for the pay-for-performance system? Are employees given larger payouts in the following years? Kazemi said employers do not usually make up missed bonuses.

Decker asked supervisors who work in the private sector what they thought of the county's current pay ranges. Jaske said she would be worried she would lose her top performers with such a range. Decker said this is the cost to institutional knowledge. Yerke said private sector jobs may not have the stability of government jobs. Decker said Waukesha County is not competing with the private sector but the county will become a competitor when the economy improves. Decker said Yerke makes a good point regarding the security of government jobs but when the county eliminates a job, the jobs are permanently eliminated.

Slattery asked how many of the surveyed private sector companies offer pensions? Kazemi said 20% of those surveyed offered pensions. To provide comparable data, the average cost per employer was calculated and discounted 80%. Slattery asked how many years does it take a county employee to be totally vested? N. Cummings said it takes approximately three to five years of service to be eligible for an annuity based on the annuity level.

In response to Grant's question, Kazemi said the study reflects current year data. In response to Meyer's question, Kazemi said 88 to 90% of public sector employers offer some type of pension.

Jaske asked was Waukesha County data compared to companies with a similar number of employees? Kazemi said the number of employees was reviewed and data was compared to a wide distribution of companies of varying sizes. Wages of the self-employed were not included in the comparisons. N. Cummings said it is more important to compare job specifications than company size.

Heinrich asked are year end bonuses and profit sharing included in the results? Kazemi said profit sharing is included in the contribution plan analysis relating to the private sector.

Grant said no private sector employees will receive significant retirement payments when they retire. Decker said some private sector employers are doing quite well. One should be careful saying "all" private sector employers when "some" would be more appropriate. N. Cummings said Waukesha County's defined benefit plan (pension and health insurance) is better than the private sector but the county's salaries are far less and offset these benefits. Costs would increase significantly if the county paid private sector wages.

Kazemi said taxpayers have the perception that public sector benefits are way out of line compared to the private sector. N. Cummings said paying private sector comparable salaries and with reduced benefits would cost more than what the county currently pays. The county does not have to pay FICA tax on benefits. N. Cummings warned the group to "watch what they wish for."

Slattery said it is a myth that there is job security in the public sector. Private and public sector jobs are not comparable. The county's contributions to pensions is higher than private sector contributions to retirement programs. N. Cummings said the cost of generating pensions is built by the employer. Slattery job seekers are willing to take lower salaries in exchange for pensions. Kazemi said it is important to consider which is a better deal. Decker said it is the employee's choice. Slattery said people "will break down the door" to get a pension. Richter said someone recently turned down a county job because he could get a better salary and benefit package elsewhere. N. Cummings said pay-for-performance is more attractive than a pension. Kazemi said some employees prefer 401K programs because they can take the money with them when they separate from the company. Pensions are perceived by some to carry more risk.

Falstad said the quality of private and public sector employees is similar. Many people who choose public sector jobs give up the expectation of high salaries in exchange for jobs that are secure and provide them better balance in their lives.

Meyer said companies used to provide pensions until the benefit was no longer affordable. The government subsidizes retirements when private sector employers fail to provide retirement benefits. Decker said county board supervisors need to understand the cost of salaries and benefits to taxpayers and ensure that the investment is well taken care of. K. Cummings said perception is reality. Employees cannot count on a bonus and should be grateful they still have jobs and/or get vacation benefits. Decker said contrary to the news, not all businesses are doing poorly. He knows people who work in the private sector who have gotten bonuses and sign-on bonuses. It is a great demotivator to do work beyond expectations knowing there is no possibility for a pay increase.

Kazemi reviewed the paid leave and benefits summary of findings.

- Waukesha County's vacation and sick leave policies are consistent with the public sector but the number of paid holidays and personal days are lower than peers and more consistent with the private sector.
- Waukesha County's health care costs are similar to the public sector average but somewhat higher than the private sector average.
- The county's medical plan provisions (deductibles, copayments, etc.) provide a comprehensive benefit to employees at a competitive price.
- The county's contribution rates to the retirement plans are somewhat lower than the public sector average especially compared to peers outside of Wisconsin.
- While defined benefit retirement plans are increasingly uncommon in the private sector, the county's 5.9% contribution to the Wisconsin Retirement System is only somewhat higher than the average private sector contribution to a defined contribution plan of 4.2%.
- While several of the surveyed employers have ongoing other post-employment benefit obligations, the county's lack of subsidization of these benefits allows Waukesha County to focus on other aspects of total compensation to help recruit and retain qualified and high-performing staff.

Decker said the average private sector contribution to a defined retirement contribution plan of 4.2% is much higher than he thought. Kazemi said many private sector employers automatically enroll employees into 401K programs with an employer match.

Kazemi reviewed the report recommendations.

- Consolidate pay schedules in order to incorporate the previously represented employees into the

non-represented pay structures and facilitate internal pay equity among departments and job families.

- Broaden pay ranges to provide more market competitive career earnings potential, allow managers to continue to reward high performers and provide a slower progression to the salary range maximum.
- Place titles on the revised pay schedules based on market study findings and internal equity analysis.
- Maintain the current performance-based pay program and expand it to some previously represented employees as appropriate.
- Develop a plan to implement the salary structure over time to manage the fiscal impact.
- Establish a schedule for periodically assessing the market competitiveness of the pay ranges.

In response to Paulson's question, Richter said widening the pay gap will slow down the progressing through ranges. N. Cummings said the county does not want people to get to the top of their pay ranges.

Jaske said depending on when you begin working for Waukesha County, one could be working at the top of their pay range for a long time. When there is a union, everyone gets the same wages. Not all employees have the same need for benefits. N. Cummings said the county evaluated cafeteria benefits in the past. Generally, when you provide this option, employees who do not take benefits receive a payment of sorts. Richter said it was not cost effective. Decker said it is a challenge to figure out how much to pay those who do not take benefits.

Grant asked is the county able to recruit and keep quality employees? Richter said it is a struggle to find qualified candidates for upper level and specialty jobs. There was a time when the county lost a lot of information technology and finance staff left due to the economic environment.

N. Cummings said he is happy the overall compensation system is still working. Any changes that come about due to this study will be brought to the county board for consideration. He expects any changes to be subtle and not earth shattering.

Haukohl said through the years she has seen the best and brightest leave Waukesha County for higher wages. The progression through the steps could be slowed down but the high-end needs to be increased to reward those who are doing an exceptional job. People complain government employees are receiving bloated salaries but she does not see that happening here. Waukesha County is doing remarkably well with taxpayer money.

Slattery asked are supervisors promoted from within? Richter said there is a combination of promoting from within and hiring people from the outside. There is a small segment of growth from a line position to supervisor. Slattery asked is there a pattern of employees leaving Waukesha County? N. Cummings said people are going to leave Waukesha County. Jobs need to be interesting enough with competitive wages.

Heinrich asked what percentage should pay ranges be broadened? Kazemi said Segal is still working through different models to find that answer. Ranges of 50-65% are typical to retain good employees with institutional knowledge. Decker said the county is following lean principles so people with knowledge can be very helpful. Having employees who know what they are doing is worth while.

Paulson asked is the county doing anything innovative to keep employees? Richter said adjustments are made to attract and keep employees.

Crowley said this is the most eye opening and enlightening study he has ever seen. The report is very clear, easy to understand and needed to be done. The public needs to know the county is run well. Waukesha County's employees are its most important asset.

Draeger said the private and public sectors are not identical and that is ok. K. Cummings said the report provides good data but what happens if Act 10 is reversed? N. Cummings said several unions have decertified. The county should treat former union employees fairly so they do not choose to recertify if Act 10 is reversed. Departments have made changes that were not possible when employees were in unions.

Slattery said she would like to see recommendations on innovative ways to recruit and reward employees in different capacities.

Nelson asked what are the next steps? Kazemi said the full 105-page report will be released shortly. Richter said the personnel committee will start reviewing the issues and proposing recommendations.

In absence of objections, the committees adjourned at 3:25 p.m.

Respectfully submitted,

William J. Zaborowski  
Finance Committee Secretary